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DALE PROPERTY SERVICES, LLC ATTN: RECORDING TEAM 500 TAYLOR ST. STE 600 FORT WORTH, TEXAS 76102

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SUZANNE HENDERSON TARRANT COUNTY CLERK TARRANT COUNTY COURTHOUSE 100 WEST WEATHERFORD FORT WORTH, TX 76196-0401

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WARNING - THIS IS PART OF THE OFFICIAL RECORD

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Producers 88 (4-89) --- Paid Up With 640 Acres Pooling Provision STANDARD LEASE W/ OPTION v. 5

## PAID UP OIL AND GAS LEASE (No Surface Use)

Electronically Recorded Chesapeake Operating, Inc.

THIS LEASE AGREEMENT is made this 3h day of 0c+, 2010, by and between JAMES D. BALLARD AND WIFE, ANDREA L. BALLARD whose address is 401 WOODLAND CT. HURST TX 76053, as Lessor, and CHESAPEAKE EXPLORATION, LLC., AN OKLAHOMA LIMITED LIABILITY COMPANY, whose address is P.O. Box 18496, Oklahoma City, Oklahoma 73154-0496, as Lessee. All printed portions of this lease were prepared by the party hereinabove named as Lessee, but all other provisions (including the completion of blank spaces) were prepared jointly by Lessor and Lessee.

1. In consideration of a cash bonus in hand paid and the covenants herein contained, Lessor hereby grants, leases and lets exclusively to Lessee the following described

land, hereinafter called leased premises

<u>0.232</u> ACRES OF LAND, MORE OR LESS, BEING <u>LOT 1 BLOCK 5</u>, OUT OF THE <u>VILLAGE AT PARK FOREST</u>, AN ADDITION TO THE CITY OF <u>HURST</u>, BEING MORE PARTICULARLY DESCRIBED BY METES AND BOUNDS IN THAT CERTAIN PLAT RECORDED IN CABINET A, SLIDE 143 OF THE PLAT RECORDS OF TARRANT COUNTY, TEXAS.

in the county of TARRANT, State of TEXAS, containing 0.232 gross acres, more or less (including any interests therein which Lessor may hereafter acquire by reversion, prescription or otherwise), for the purpose of exploring for, developing, producing and marketing oil and gas, along with all hydrocarbon and non hydrocarbon substances produced in association therewith (including geophysical/seismic operations). The term "gas" as used herein includes helium, carbon dioxide and other commercial gases, as well as hydrocarbon gases. In addition to the above-described leased premises, this lease also covers accretions and any small strips or parcels of land now or hereafter owned by Lessor which are contiguous or adjacent to the above-described leased premises, and, in consideration of the aforementioned cash bonus, Lessor agrees to execute at Lessee's request any additional or supplemental instruments for a more complete or accurate description of the land so covered. For the purpose of determining the amount of any shut-in royalties hereunder, the number of gross acres above specified shall be deemed correct, whether actually more or less.

2. This lease, which is a "paid-up" lease requiring no rentals, shall be in force for a primary term of THREE (3) years from the date hereof, and for as long thereafter as oil or gas or other substances covered hereby are produced in paying quantities from the leased premises or from lands pooled therewith or this lease is otherwise maintained in effect pursuant to the provisions hereof.

3. Royalties on oil, gas and other substances produced and saved hereunder shall be paid by Lessee to Lessor as follows: (a) For oil and other liquid hydrocarbons separated at Lessee's separator facilities, the royalty shall be TWENTY-FIVE PERCENT (25)% of such production, to be delivered at Lessee's option to Lessor at the wellhead or to Lessor's credit at the oil purchaser's transportation facilities, provided that Lessee shall have the continuing right to purchase such production at the wellhead market price then prevailing in the same field (or if there is no such price then prevailing in the same field, then in the nearest field in which there is such a prevailing price) for production of similar grade and gravity; (b) for gas (including casing head gas) and all other substances covered hereby, the royalty shall be  $\underline{TWENTY-FIVE}$ PERCENT (25)% of the proceeds realized by Lessee from the sale thereof, less a proportionate part of ad valorem taxes and production, severance, or other excise taxes and the costs incurred by Lessee in delivering, processing or otherwise marketing such gas or other substances, provided that Lessee shall have the continuing right to purchase such production at the prevailing wellhead market price paid for production of similar quality in the same field (or if there is no such price then prevailing in the same field, then in the nearest field in which there is such a prevailing price) pursuant to comparable purchase contracts entered into on the same or nearest preceding date as the date on which Lessee commences its purchases hereunder, and (c) if at the end of the primary term or any time thereafter one or more wells on the leased premises or lands pooled therewith are capable of either producing oil or gas or other substances covered hereby in paying quantities or such wells are waiting on hydraulic fracture stimulation, but such well or wells are either shut-in or production there from is not being sold by Lessee, such well or wells shall nevertheless be deemed to be producing in paying quantities for the purpose of maintaining this lease. If for a period of 90 consecutive days such well or wells are shut-in or production there from is not being sold by Lessee, then Lessee shall pay shut-in royalty of one dollar per acre then covered by this lease, such payment to be made to Lessor or to Lessor's credit in the depository designated below, on or before the end of said 90-day period and thereafter on or before each anniversary of the end of said 90-day period while the well or wells are shut-in or

below, on or before the end of said 90-day period and thereafter on or before each anniversary of the end of said 90-day period while the well or wells are shut-in or production there from is not being sold by Lessee; provided that if this lease is otherwise being maintained by operations, or if production is being sold by Lessee from another well or wells on the leased premises or lands pooled therewith, no shut-in royalty shall be due until the end of the 90-day period next following cessation of such operations or production. Lessee's failure to properly pay shut-in royalty shall render Lessee liable for the amount due, but shall not operate to terminate this lease.

4. All shut-in royalty payments under this lease shall be paid or tendered to Lessor or to Lessor's credit in at Lessor's address above or its successors, which shall be Lessor's depository agent for receiving payments regardless of changes in the ownership of said land. All payments or tenders may be made in currency, or by check or by draft and such payments or tenders to Lessor or to the depository by deposit in the US Mails in a stamped envelope addressed to the depository or to the Lessor at the last address known to Lessee shall constitute proper payment. If the depository should liquidate or be succeeded by another institution, or for any reason fail or refuse to accept payment hereunder. Lessor shall, at Lessee's request deliver to Lessee a proper recordable instrument naming another institution, as depository agent to receive to accept payment hereunder, Lessor shall, at Lessee's request, deliver to Lessee a proper recordable instrument naming another institution as depository agent to receive

at the last address known to Lessee shall constitute proper payment. If the depository should liquidate or be succeeded by another institution, or for any reason fail or retuse a cacept payment hereunder, Lesser's here lessee a proper recordable instrunt naming another institution, as depository agent to receive payments.

5. Except as provided for in Paragraph 3, above, if Lessee drills a well which is incapable of producing in paying quantities (hereinafter called "dry hole") on the leased premises or lands pooled therewith, or if all production (whether or not in paying quantities) permanently ceases from any cause, including a revision of unit boundaries pursuant to the provisions of Paragraph 6 or the action of any governmental authority, then in the event lesses is not otherwise being maintained in force in the lands pooled therewith within 90 days after completion of operations on such dry hole theses is not otherwise being maintained in force with 190 days after such cessation of all production. If at the end of the primary term, or at any time thereafter, this lesse is not otherwise being maintained in force but Lesses is then engaged in drilling, reworking or any other operations reasonably calculated to obtain or restore production there from, this lesses shall entermain in force so leas any one or more of such operations are prosecuted with no cessation of more than 90 consecutive days, and if any such operations read for the production in paying quantities from the leased premises or lands pooled therewith. After completion of producing in paying quantities hereunder, Lessee shall drill such additional wells on the leased premises or lands pooled therewith. After completion drill such as provided the same or similar circumstances to (a) develop the leased premises as to formations then capable of producing in paying quantities on the leased premises from uncompensated drainage by any well or wells located on other lands on pooled therewith. There shall be no covenant to drill exploratory wells or a

of the leased premises or lands pooled therewith shall be reduced to the proposal that Ecoso and the such part of the leased premises.

8. The interest of either Lessor or Lessee hereunder may be assigned, devised or otherwise transferred in whole or in part, by area and/or by depth or zone, and the rights and obligations of the parties hereunder shall extend to their respective heirs, devisees, executors, administrators, successors and assigns. No change in Lessor's ownership shall have the effect of reducing the rights or enlarging the obligations of Lessee hereunder, and no change in ownership shall be binding on Lessee until 60 days after Lessee has been furnished the original or certified or duly authenticated copies of the documents establishing such change of ownership to the satisfaction of Lessee or

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until Lessor has satisfied the notification requirements contained in Lessee's usual form of division order. In the event of the death of any person entitled to shut-in royalties until Lessor has satisfied the notification requirements contained in Lessee's usual form of division order. In the event of the death of any person entitled to shut-in royalties hereunder, Lessee may pay or tender such shut-in royalties to the credit of decedent's estate in the depository designated above. If at any time two or more persons are entitled to shut-in royalties hereunder, Lessee may pay or tender such shut-in royalties to such persons or to their credit in the depository, either jointly or separately in proportion to the interest which each owns. If Lessee transfers its interest hereunder in whole or in part Lessee shall be relieved of all obligations thereafter arising with respect to the transferred interest, and failure of the transferree to satisfy such obligations with respect to the transferred interest shall not affect the rights of Lessee with respect to any interest not so transferred. If Lessee transfers a full or undivided interest in all or any portion of the area covered by this lease, the obligation to pay or tender shut-in royalties hereunder shall be divided between lessee and the transferree in proportion to the net acreage interest in this lease then held by each pay or tender shut-in royalties hereunder shall be divided between Lessee and the transferee in proportion to the net acreage interest in this lease then held by each.

9. Lessee may, at any time and from time to time, deliver to Lessor or file of record a written release of this lease as to a full or undivided interest in all or any portion of

the area covered by this lease or any depths or zones there under, and shall thereupon be relieved of all obligations thereafter arising with respect to the interest so released. If Lessee releases all or an undivided interest in less than all of the area covered hereby. Lessee's obligation to pay or tender shut-in royalties shall be proportionately reduced

9. Lessee may, at any time and from time to time, deliver to Lessor or file of record a written release of this lease as to a full or undownous interest in all or any portion or the area covered by this lease or any depths or zones there under, and shall thereupon be relieved of all obligations thereafter arising with respect to the interest so released. If Lessee releases all or an undivided interest in less than all of the area covered hereby, Lessee's obligations to pay or tender shut-in royalizes shall be proportionately reduced in accordance with the net acreage interest retained hereunder.

10. In exploring for, developing, producing and marketing oil, gas and other substances covered hereby on the lessed premises or lands pooled or unitized herewith, in primary and/or enhanced recovery, Lessee shall have the right of ingress and egress along with the right to conduct such operations on the leased premises as may be reasonably necessary for such purposes, including but not limited to geophysical operations, the drilling of wells, and the construction and use of mosts, canada, pipeliments, well as a construction of the lesseed premises as may be reasonably necessary for such purposes, including but not limited to geophysical operations, the drilling of wells, and the construction and use of mosts, canada, pipeliments, some of the construction of the lesseed premises of lesses of the production. Lessee may use in such operations, free of cost, any use and the construction and use of mosts, canada premises, and the construction and use of mosts, and the production of the lesseed premises of lesses of premises of lesses of premises of premises, and the respect to the premise of lesses of premises of lesses of the lesses of the lesses of the lesses of

17. Lessor, and their successors and assigns, hereby grants Lessee an option to extend the primary term of this lease for an additional period of TWO 2 years from

the end of the primary term by paying or tendering to Lessor prior to the end of the primary term the same bonus consideration, terms and conditions as granted for this lease.

18. This lease may be executed in counterparts, each of which is deemed an original and all of which only constitute one original.

DISCLAIMER OF REPRESENTATIONS: Lessor acknowledges that oil and gas lease payments, in the form of rental, bonus and royalty, are market sensitive and may vary depending on multiple factors and that this Lease is the product of good faith negotiations. Lessor understands that these lease payments and terms are final and that Lessor entered into this lease without duress or undue influence. Lessor recognizes that lease values could go up or down depending on market conditions. Lessor acknowledges that no representations or assurances were made in the negotiation of this lease that Lessor would get the highest price or different terms depending on future market conditions. Neither party to this lease will seek to alter the terms of this transaction based upon any differing terms which Lessee has or may negotiate with any other lessors/oil and gas owners.

effective as of the date first written above, but upon execution shall be binding on the signatory and the signatory's issigns, whether or not this lease has been executed by all parties hereinabove named as Lessor. IN WITNESS WHEREOF, this lease is executed to be heirs, devisees, exec tors, administrators, successors assian LESSOR (WHETHER ONE OR MORE) Signature: Indrea J. Ballard

Printed Name:

Printed Name: ANDREA L. BALLARD

ACKNOWLEDGMENT

STATE OF TEXAS COUNTY OF TARRANT

This instrument was acknowledged before me on the

**DEREK THOMAS MOORE** otary Public, State of Texas My Commission Expires

James Ballard

Notary Public, State of Texas Notary's name (printed):

ACKNOWLEDGMENT

STATE OF <u>TEXAS</u> COUNTY OF TARRANT

This instrument was acknowledged before me on the

Andrea Ballard 2010, by

DEREK THOMAS MOORE Notary Public, State of Texas My Commission Expires May 17, 2014

Notary Public, State of Texas Notary's name (printed):

, 2010, by

CORPORATE ACKNOWLEDGMENT

STATE OF COUNTY OF This instrument was acknowledged before me on the day of

May 17, 2014

corporation, on behalf of said corporation.

of

\_, 2010, by\_

Notary Public, State of Texas Notary's name (printed): Notary's commission expires: